(3)

No. 05-656

IN THE

Supreme Court of the United States

MEDIMMUNE, INC.,
Petitioner,

v.

CENTOCOR, INC., *et al.*,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
ARGUMENT IN REPLY	1
CONCLUSION	6

TABLE OF AUTHORITIES

Page

Cases:

Aetna Life Ins. Co. v. *Haworth*, 300 U.S. 227 (1937) 3

Altvater v. *Freeman*, 319 U.S. 359 (1943) 3

C.R. Bard, Inc. v. *Schwartz*, 716 F.2d 874 (Fed. Cir. 1983) 2

Cardinal Chem. Co. v. *Morton Int'l, Inc.*, 508 U.S. 83 (1993) 5

Diamond Scientific Co. v. *Ambico, Inc.*, 848 F.2d 1220 (Fed. Cir.), *pet'n for cert. dismissed*, 487 U.S. 1265 (1988) 5

Gen-Probe Inc. v. *Vysis, Inc.*, No. 99-CV-2668H (S.D. Cal. Mar. 12, 2002), *rev'd*, 359 F.3d 1376 (Fed. Cir.), *pet'n for cert. dismissed*, 543 U.S. 941 (2004) 2

Gen-Probe Inc. v. *Vysis, Inc.*, 359 F.3d 1376 (Fed. Cir.), *pet'n for cert. dismissed*, 543 U.S. 941 (2004) 2, 4

Lear, Inc. v. *Adkins*, 395 U.S. 653 (1969) 4-6

MedImmune, Inc. v. *Genentech, Inc.*, 427 F.3d 958 (Fed. Cir. 2005), *pet'n for cert. pending* (No. 05-608) 2, 6

Metabolite Labs., Inc. v. *Laboratory Corp. of America Holdings*, 370 F.3d 1354 (Fed. Cir. 2004), *cert. granted*, 126 S. Ct. 601 (2005) (No. 04-607) 2

Studiengesellschaft Kohle, m.b.H. v. *Shell Oil Co.*, 112 F.3d 1561 (Fed. Cir.), *cert. denied*, 522 U.S. 966 (1997) 5

Teva Pharmaceuticals USA, Inc. v. *Pfizer, Inc.*, 395 F.3d 1324, *rehearing en banc denied*, 405 F.3d 990 (Fed. Cir.), *cert. denied*, 126 S. Ct. 473 (2005) 2

TABLE OF AUTHORITIES

Page

Warner-Jenkinson Co. v. Allied Chem. Corp., 567 F.2d 184 (2d Cir. 1977) 5

Constitutional Provisions:

U.S. Constitution, Article III ..... 1, *passim*

Statutes:

Declaratory Judgment Act, 28 U.S.C. § 2201 .... 1, *passim*

Miscellaneous:

Petition for Certiorari, *Gen-Probe Inc. v. Vysis, Inc.*, No. 04-260 (Aug. 20, 2004) 2

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The Brief in Opposition argues at length that the Federal Circuit's application of Article III is consistent with some of its own earlier cases, and that as a matter of patent policy it is desirable. Br. Opp. 8-15, 19-20. Neither argument goes to the issue presented by the petition. That issue is whether the Federal Circuit has put itself in conflict with the understanding of Article III and the Declaratory Judgment Act applied in other Circuits, as well as with this Court's holdings, on a key provision defining the federal judicial power.

1. The Brief in Opposition seeks to minimize many of the Declaratory Judgment Act cases from other Circuits as "contract cases," which it proposes to segregate from "patent cases" involving license contracts. Br. Opp. 13-15. Why a

supposed jurisdictional requirement of Article III and the Declaratory Judgment Act, demanding a prior material breach of a contract, would apply only to patent-license contracts, respondents do not explain. The Brief in Opposition also disregards *en masse* the clearly conflicting decisions on Article III rendered when the regional Circuits had patent jurisdiction. See Pet. Cert. 15-16; Br. Opp. 19 n.8.

2. Respondents argue that the Federal Circuit's recent *Gen-Probe*[1] line of decisions, of which this is one, is nothing new in that Circuit. Br. Opp. 8-11. That is demonstrably incorrect.[2] Indeed, the District Court so recognized when it changed its initial jurisdictional ruling 180° because *Gen-Probe* in the interval had been decided. *Compare* P.C.A. 20a *with id.* 37a-38a. But even if the recent *Gen-Probe* line of cases were not new, that would be no less reason to grant certiorari to resolve that Circuit's now-firmly-established divergent understanding of Article III.

3. Respondents fail to escape this Court's fundamental decisions going back to the 1930s which laid down juris-

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[1] *Gen-Probe Inc.* v. *Vysis, Inc.*, 359 F.3d 1376 (Fed. Cir.), *pet'n for cert. dismissed*, 543 U.S. 941 (2004), followed in *Metabolite Labs., Inc.* v. *Laboratory Corp.*, 370 F.3d 1354, 1369 (Fed. Cir. 2004), *cert. granted on another question*, 126 S. Ct. 601 (2005); in *Teva Pharmaceuticals USA, Inc.* v. *Pfizer, Inc.*, 395 F.3d 1324 (non-license case), *rehearing en banc denied*, 405 F.3d 990 (Fed. Cir.), *cert. denied*, 126 S. Ct. 473 (2005); in *MedImmune, Inc.* v. *Genentech, Inc.*, 427 F.3d 958 (Fed. Cir. 2005), *pet'n for cert. pending* (No. 05-608); and in the present case.

[2] See, *e.g.*, *C.R. Bard, Inc.* v. *Schwartz*, 716 F.2d 874, 882 (Fed. Cir. 1983) ("We hold that a patent licensee may bring a federal declaratory judgment action . . . without prior termination of the license."); *Gen-Probe Inc.* v. *Vysis, Inc.*, No. 99-CV-2868H (S.D. Cal. Mar. 12, 2002) ("It is settled law that an effective license between the parties does not preclude federal question jurisdiction over a licensee's declaratory judgment action."), *rev'd*, 359 F.3d 1376 (Fed. Cir.), *pet'n for cert. dismissed*, 543 U.S. 941 (2004) (reprinted in Petition for Certiorari, *Gen-Probe Inc.* v. *Vysis, Inc.*, No. 04-260, at 25a).

dictional principles the Federal Circuit has abandoned. In *Altvater* v. *Freeman*, 319 U.S. 359 (1943), a patent-license declaratory-judgment case, the licensee, as here, was paying royalties; that the license contract had been enforced by an injunction did not affect the applicable principle. This Court was explicit that "certainly the requirements of case or controversy are met where payment of a claim is demanded as of right and where payment is made," and "[t]he fact that royalties were being paid did not make this a 'difference or dispute of a hypothetical or abstract character.'" *Id.* at 364, 365, quoting in part *Aetna Life Ins. Co.* v. *Haworth*, 300 U.S. 227, 240 (1937). The Declaratory Judgment Act, this Court long ago held, requires simply a legal dispute that is "definite and concrete, not hypothetical or abstract." *Aetna*, 300 U.S. at 242.

4. The District Court explicitly ruled that "[a]lthough the parties are under license, there is a clear and concrete dispute between them . . . ." P.C.A. 18a-19a.[3] *Cf. Altvater*, 319 U.S. at 364 ("A controversy was raging, even apart from the continued existence of the license agreement."). Indeed, respondents themselves earlier had alleged that a case or controversy was present when they sought a federal declaratory judgment based on the same facts in California.[4] The District

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[3] Petitioner's complaint alleged in detail that it had been threatened with suit repeatedly by Centocor; Centocor had asserted that MedImmune's Synagis® infringed the patent, and warned that it had a policy of bringing suits against infringers. C.A.A. 455-57. MedImmune had responded that the patent was invalid and not infringed, and that in these circumstances there was no obligation to pay royalties; Centocor explicitly disagreed. C.A.A. 459-60. The only fact the courts below held controlling was that petitioner had not stopped paying royalties under the license. P.C.A. 5a-6a, 37a-38a.

[4] That California federal action was dismissed, not because of the license, as respondents mistakenly imply, Br. Opp. 5, but rather because of this earlier-filed federal action in Maryland. See P.C.A. 14a: "The Universities have misstated the rationale that the [California] Court used

Court in Maryland dismissed in obedience to the jurisdictional requirement imposed by the Federal Circuit in *GenProbe* requiring that there must be a prior material breach of the license. P.C.A. 37a-38a.

5. The Brief in Opposition argues that "[a] party may challenge a patent that it has licensed . . . but it cannot do so while maintaining and enjoying its rights under the license." Br. Opp. 13. But this Court in *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), pointedly rejected "[t]he theory . . . that a licensee should not be permitted to enjoy the benefit afforded by the agreement while simultaneously urging that the patent which forms the basis of the agreement is void." *Id.* at 656. This Court acknowledged that a licensee might "avoid[] the necessity of defending an expensive infringement action during the period when he may be least able to afford one," *id.* at 669, but did not accept the argument that therefore the licensee should be prevented from challenging the licensed patent, *id.* at 669-74.

Respondents nevertheless complain that for petitioner as licensee to challenge the patent is unfair to the licensor. Br. Opp. 12-13, 20. But as the Second Circuit explained, that policy judgment was settled in *Lear*:

> "A licensee who wishes to continue using the patented element cannot withhold royalty payments without laying himself open to large potential liability for infringement and an injunction against all future use of the patented substance. If forced to make the hard choice, many licensees will choose the less perilous course, and the patents under which they are licensed will remain uncontested. *Lear* established that removing restraints on commerce caused by improperly-held patents should

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in finding there to be no 'actual controversy'. . . . It did not do so . . . because of the license between the parties. Rather, the Court found that the likelihood of an infringement suit was low because of the Maryland action . . . ."

> be considered more important than enforcing promises between contracting parties. Thus, the seeming inequity of allowing a licensee to keep his license while he attacks the validity of the licensor's patent is outweighed by the public interest in placing no impediment in the way of those in the best position to contest the validity of the underlying patent."

Warner-Jenkinson Co. v. *Allied Chem. Corp.*, 567 F.2d 184, 187-88 (2d Cir. 1977). Any equities favoring the licensor, the Court in *Lear* concluded, "[s]urely . . . do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain." 395 U.S. at 670.

"Licensees may often be the only individuals with enough economic incentive to challenge" a licensed patent, and "[i]f they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification." *Id.* at 670. Contrary to the policy arguments respondents urge, this Court decided that the unmuzzling of licensees to challenge invalid patents served the public interest, "particularly . . . in the many scientific fields in which invention is proceeding at a rapid rate," *id.* at 673, so that "the technical requirements of contract doctrine must give way before the demands of the public interest." *Id.* at 670. See also *Cardinal Chem. Co.* v. *Morton Int'l, Inc.*, 508 U.S. 83, 100 (1993) ("importance to the public at large of resolving questions of patent validity"). And even if *Lear* were believed bad policy after all,[5] the solution would not be what

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[5] The Federal Circuit several times has expressed its hostility to the federal patent policy recognized in *Lear*. *E.g.*, *Studiengesellschaft Kohle, m.b.H.* v. *Shell Oil Co.*, 112 F.3d 1561, 1567 (Fed. Cir.) (calling *Lear* an "echo from a past era of skepticism over intellectual property principles"), *cert. denied*, 522 U.S. 966 (1997); *Diamond Scientific Co.* v. *Ambico, Inc.*, 848 F.2d 1220, 1224-25 (Fed. Cir.) (rejecting patent challenge "despite

the Federal Circuit chose here: an unauthorized and unprecedented contortion of Article III of the Constitution.[6]

6. Respondents observe that the Court of Appeals—for the Federal Circuit was created to provide expertise and consistency in patent-related decisions. Br. Opp. 14. But the Federal Circuit was not created to devise interpretations of the Declaratory Judgment Act and Article III that conflict with those of the other Circuits and this Court.

CONCLUSION

For the reasons stated herein and in the petition, certiorari should be granted.

Respectfully submitted,

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the public policy" of *Lear*), *pet'n for cert. dismissed*, 487 U.S. 1265 (1988).

[6] See also *MedImmune, Inc. v. Genentech, Inc.*, 427 F.3d at 964, reiterating that "[t]he court in *Gen-Probe* discussed the inequity" of suits by licensees not in material default, holding that "[t]his imbalance distorts the equalizing principles that underlie the Declaratory Judgment Act."